

**CANAAN RESOURCES, LLC**  
**Balance Sheets**  
**December 31, 2019**

<b>ASSETS</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Current assets:		
Cash and cash equivalents	\$ 589,960	\$ 3,495,419
Accounts receivable:		
Oil and natural gas sales	838,632	1,751,866
Due from affiliates	1,880,145	1,056,106
Other	96,633	85,409
Derivative instruments short-term	144,039	534,147
Other current assets	268,047	283,707
Total current assets	<u>3,817,456</u>	<u>7,206,654</u>
Property and equipment, at cost		
Non producing leasehold	16,839,084	16,820,290
Oil and natural gas properties, based on the full cost method of accounting	308,154,420	304,971,921
Other equipment	3,246,886	3,233,319
Less accumulated depreciation and amortization	<u>(289,194,701)</u>	<u>(266,499,909)</u>
	39,045,689	58,525,621
Derivative instruments long-term	-	43,906
Other assets	<u>70,000</u>	<u>34,976</u>
Total assets	<u><u>\$ 42,933,145</u></u>	<u><u>\$ 65,811,157</u></u>
<b>LIABILITIES and MEMBERS' EQUITY</b>		
Current liabilities:		
Accounts payable - trade	\$ 1,467,408	\$ 3,265,439
Revenue payable	71,053	89,214
Derivative instruments short-term	-	104,425
Accrued interest payable	13,847	434,288
Note payable to bank	19,550,000	21,000,000
Total current liabilities	<u>21,102,308</u>	<u>24,893,366</u>
Asset retirement obligations	5,569,801	5,155,683
Members' equity	<u>16,261,036</u>	<u>35,762,108</u>
Total liabilities and members' equity	<u><u>\$ 42,933,145</u></u>	<u><u>\$ 65,811,157</u></u>

The accompanying notes are an integral part of this statement.

**CANAAN RESOURCES, LLC**  
**Statement of Operations**

**Year to Date**  
**December 31, 2019**

---

**Revenues:**

Oil and natural gas sales	\$ 11,850,122
Natural gas gathering	8,618
Change in fair value of derivative instruments	100,133
Other	1,018,561
Total revenues	<u>12,977,434</u>

**Costs and Expenses:**

Production taxes	3,302,605
Lease operating expenses	2,647,594
Depreciation, depletion and amortization	6,139,843
Impairment of oil and natural gas properties	16,922,888
General and administrative	1,990,228
Interest	1,475,348
Total costs and expenses	<u>32,478,506</u>

Net loss	<u><u>\$ (19,501,072)</u></u>
----------	-------------------------------

The accompanying notes are an integral part of this statement.

**CANAAN RESOURCES, LLC**  
**Statement of Members' Equity**

	<b>Members'</b> <b>equity</b>
Balance at December 31, 2017	36,509,046
Net loss	<u>(746,938)</u>
Balance at December 31, 2018	35,762,108
Net loss	<u>(19,501,072)</u>
Balance at December 31, 2019	<u><u>\$ 16,261,036</u></u>

The accompanying notes are an integral part of this statement.

**CANAAN RESOURCES, LLC**  
**Statement of Cash Flows**

**Year to Date**  
**December 31, 2019**

**Cash flows from operating activities:**

Net loss	\$ (19,501,072)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation, depletion and amortization	6,139,843
Impairment of oil and natural gas properties	16,922,888
Amortization of deferred loan costs	70,654
Change in derivative fair value	(100,133)
Derivative cash settlements not in oil and natural gas sales	429,722
Decrease in accounts receivable and other assets	917,670
Increase in due from affiliates	(824,039)
Decrease in accounts payable and accrued expenses	(39,529)
Decrease in revenues payable	(18,161)
	<u>3,997,843</u>
Net cash provided by operating activities	<u>3,997,843</u>

**Cash flows from investing activities:**

Acquisition and development of oil and natural gas properties	(5,334,057)
Acquisition of other equipment	(13,567)
	<u>(5,347,624)</u>
Net cash used in investing activities	<u>(5,347,624)</u>

**Cash flows from financing activities:**

Borrowings (repayments) of debt	(1,450,000)
Payment of debt issuance costs	(105,678)
	<u>(1,555,678)</u>
Net cash used in financing activities	<u>(1,555,678)</u>

Net decrease in cash and cash equivalents	(2,905,459)
Cash and cash equivalents at beginning of period	3,495,419
Cash and cash equivalents at end of period	<u>\$ 589,960</u>

**Supplemental Cash Flow Information:**

Cash payments for interest	<u>\$ 1,824,726</u>
----------------------------	---------------------

The accompanying notes are an integral part of this statement.